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*The Great Atlantic & Pacific Tea Company, Inc.*

**ANNUAL  
REPORT**

**FISCAL 1963**

**FOR YEAR ENDED FEB. 29, 1964**



#### ANNUAL MEETING

The Annual Meeting  
of Stockholders  
will be held on  
Tuesday, June 16, 1964  
at 10:30 a.m. (E.D.T.)  
in the Biltmore Hotel,  
New York, New York

## DIRECTORS



\*MELVIN W. ALLDREDGE  
\*ANTHONY A. BLISS  
RALPH MANNING BROWN, JR.  
\*FRANK H. BUCHER  
RALPH W. BURGER  
JOHN L. BURNS  
JOHN T. CAHILL  
FRED E. CAMPBELL  
LAWRENCE M. CAZAYOUX  
\*ROY C. COLLINS  
DONALD KIRK DAVID  
WILLIAM A. DONAHOE  
\*JOHN D. EHRGOTT  
\*HAROLD D. HOAG  
BYRON JAY  
WILLIAM F. LEACH  
NELSON E. NORDQUIST  
GWILYM A. PRICE  
JOHN M. SCHIFF  
\*STEPHEN W. SHEA  
DAVID SHER  
JOHN ELLIOT SLATER  
ROBERT M. SMITH  
EDWARD J. VOGEL

\*Members of Executive Committee

## OFFICERS

### DIRECTOR EMERITUS

OLIVER C. ADAMS

### EXECUTIVE OFFICES

420 Lexington Avenue  
New York, N. Y. 10017

### TRANSFER AGENT

Morgan Guaranty Trust  
Company of New York  
New York, New York

### REGISTRAR

First National City Bank  
New York, New York

JOHN D. EHRGOTT  
Chairman of the Board  
MELVIN W. ALLDREDGE  
President  
FRANK H. BUCHER  
Vice Chairman of the Board  
STEPHEN W. SHEA  
Executive Vice President  
LAWRENCE M. CAZAYOUX  
Vice President  
HAROLD D. HOAG  
Vice President and Treasurer  
WILLIAM F. LEACH  
Vice President  
ROBERT M. SMITH  
Vice President  
FRED E. CAMPBELL  
Secretary and General Counsel

## Comparative Highlights

### FOR THE FISCAL YEAR ENDED

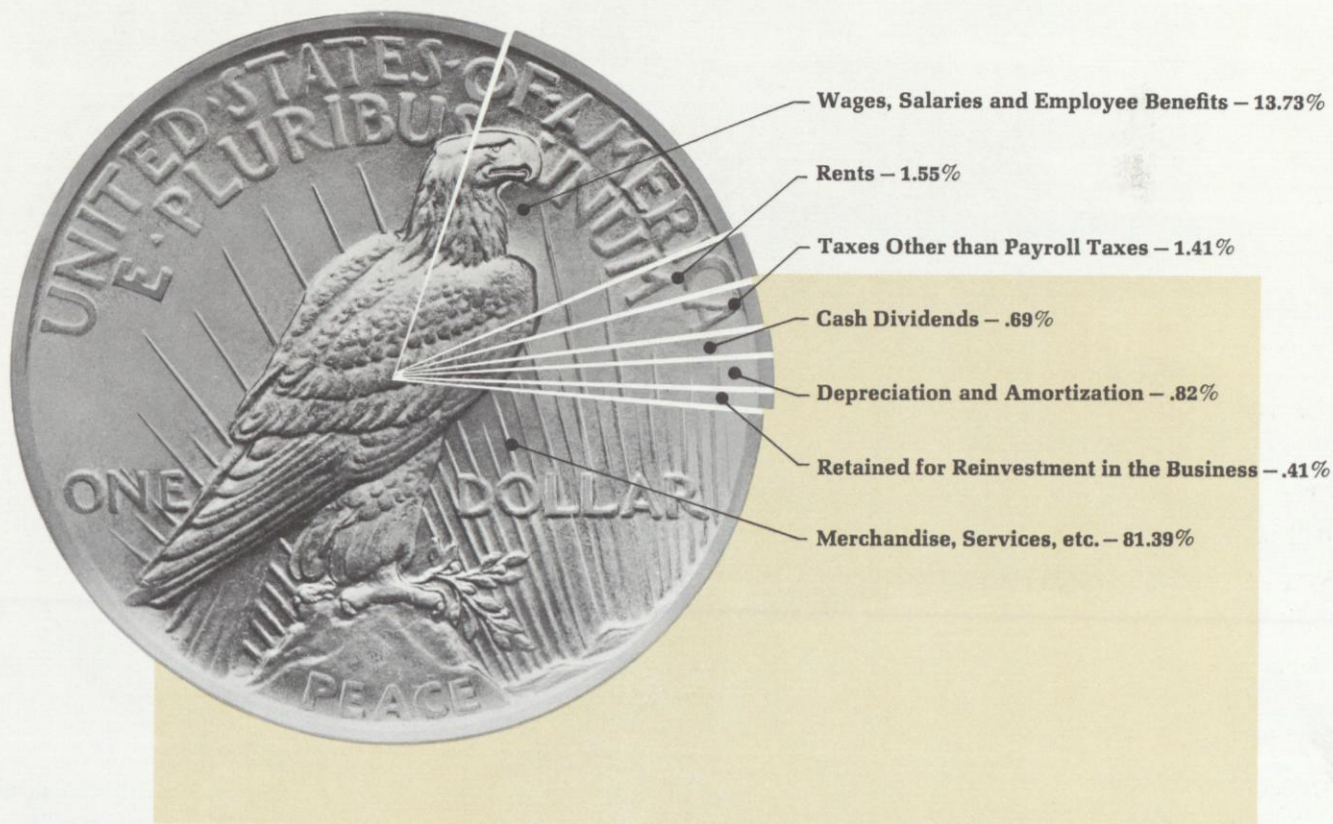
	Feb. 29, 1964 (53 weeks)	Feb. 23, 1963 (52 weeks)	Feb. 24, 1962 (52 weeks)
Sales . . . . .	\$5,189,188,400	\$5,310,544,400	\$5,240,315,100
Income before provision for income taxes . . . .	108,989,400	126,606,400	119,963,700
Provision for United States and Canadian income taxes . . . . .	51,500,000	66,400,000	62,500,000
Net income . . . . .	57,489,400	60,206,400	57,463,700
Per share* . . . . .	2.37	2.48	2.37
Per cent of sales . . . . .	1.11%	1.13%	1.10%
Cash dividends paid . . . . .	35,995,200	39,930,300	29,879,200
Per share . . . . .	1.50	1.70	1.30
Stock dividend at market value . . . . .	9,627,900	19,468,000	26,611,400
Additions to property, equipment and fixtures . .	49,121,500	69,182,700	57,752,000
Depreciation and amortization . . . . .	42,706,800	43,734,200	39,245,100

### AT YEAR-END

Working capital . . . . .	\$ 289,187,400	\$ 277,970,000	\$ 279,885,700
Ratio of current assets to current liabilities . . . .	2.34	2.25	2.25
Property, equipment and fixtures less accumulated depreciation and amortization . . . . .	262,706,300	248,247,300	224,372,200
Stockholders' equity . . . . .	559,144,500	536,404,300	514,975,000
Per share* . . . . .	23.06	22.12	21.24
Number of stores . . . . .	4,519	4,475	4,409

\*Based on 24,250,901 shares outstanding at February 29, 1964

## WHERE DOES THE SALES DOLLAR GO?



<b>SALES FOR FISCAL 1963 . . . . .</b>		
<b>SALES FOR FISCAL 1963 . . . . .</b>	<b>\$5,189,188,000</b>	<b>100.00%</b>
Merchandise, Services, etc. . . . .	4,223,150,000	81.39
Wages, Salaries and Employee Benefits . . . . .	712,199,000	13.73
Rents . . . . .	80,459,000	1.55
Taxes Other than Payroll Taxes . . . . .	73,184,000	1.41
Cash Dividends . . . . .	35,995,000	.69
Depreciation and Amortization . . . . .	42,707,000	.82
Retained for Reinvestment in the Business . . . . .	21,494,000	.41



JOHN D. EHRGOTT



MELVIN W. ALLDREDGE

**TO OUR  
STOCKHOLDERS**

SALES for the 53-week period ended last February 29 were \$5.189 billion, compared with \$5.310 billion during the 52-week fiscal year of 1962. Net income after U. S. and Canadian income taxes was \$57 million as compared with \$60 million a year earlier, a difference of about 4.5 per cent. Earnings were the equivalent of \$2.37 a share as compared with \$2.48 a share based on the number of shares now outstanding.

Net worth of the Company, meanwhile, has continued to improve. It is now \$559.1 million or \$23.06 per share, up from \$536.4 million or \$22.12 a share. We also have more working capital than at any time in our 105-year history.

Quarterly cash dividends were maintained last year at 30 cents a share. The year-end extra cash dividend was reduced from 50 cents to 30 cents and the year-end stock dividend was one per cent as compared with two shares per 100 at the close of fiscal 1962.

Management decided early in fiscal 1963 to make reductions in the retail price structure. In the face of comparative sales declines from the previous year, we embarked on a program of holding the price line — and, in some cases, actually reducing prices — by not passing on to our customers all of the constantly rising costs of labor, transportation and other operating expenses that beset the industry. This decision was motivated, in part, by great competitive pressures.

The lower net earnings for the year were due in great measure, therefore, to the fact that we actually reduced our profit rate in order to maintain our competitive position and to build for future growth.

\* \* \*

Management looks toward the new year with confidence, encouraged by improved results during the fourth quarter of fiscal 1963, and is enthusiastic over the productive potential of many younger additions to the executive ranks.

There have been numerous recent changes in executive management and mid-management personnel. Retirements and realigning of assignments during the past year resulted in the elevation to positions of corporate and operational responsibility of a number of our younger executives whose contributions to policy-making are expected to be considerable.

Among the personnel changes at the executive level were the appointments of three new management directors, filling vacancies created by two retirements and one untimely death. Byron Jay and William A. Donahoe were named to the Board to replace the retiring

Middle Western Division president, H. Wayne Carver, and the corporate secretary, John J. Reilly. Edward J. Vogel was selected as director to replace the late Joseph P. Smith, president of the Eastern Division, who died unexpectedly January 5.

Three more new candidates are standing for election to the Board at the annual meeting of stockholders a month hence, having been nominated for the seats being vacated by three directors who have announced their retirement August 1 of this year. The trio named by the management for consideration of the stockholders comprises William J. Kane, president of the Eastern Division; Edward A. Le Page, director of sales, and William Corbus, director of purchases. Retiring are Frank H. Bucher, vice chairman; Stephen W. Shea, executive vice president, and Nelson E. Nordquist, director of operations.

\* \* \*

The individual and collective attitude of the Company's officers and employees toward the increased competition during fiscal 1963 was impressive. The 135,000 members of the organization displayed remarkable esprit de corps and enthusiastically participated in the Company-wide effort of seeking improved efficiency and productivity through greater team performance.

\* \* \*

Where are we headed, as a Company, in fiscal 1964?

We plan to continue an aggressive development program during the coming year. This includes attention to the physical plants as well as concentration on improved services in

the stores. Much attention will be given to development of new products that show promise of becoming profitable additions to our already well-established lines of exclusive merchandise.

We will continue our efforts to achieve the full sales capability of each retail store; we will maintain a store remodeling program that promises us the most rewarding results, and we will continue to build new super markets at the most desirable locations available.

We intend to see to it that A&P upholds its historic image as the place where American consumers can get more good quality merchandise for less money.

We believe that your Company is pursuing a course that promises a sound future, a course that is designed to strengthen the Company's position in this most competitive of retail industries, not only for fiscal 1964 but for the years ahead.

For the Board of Directors,

*J. B. Engelt*

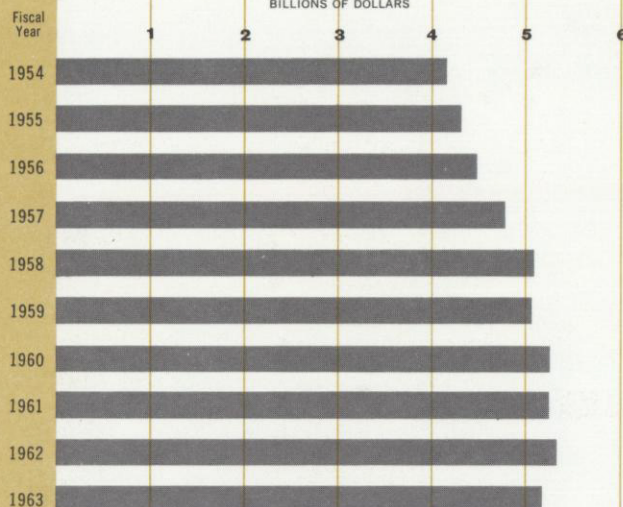
Chairman of the Board

*M. W. Auduberg*

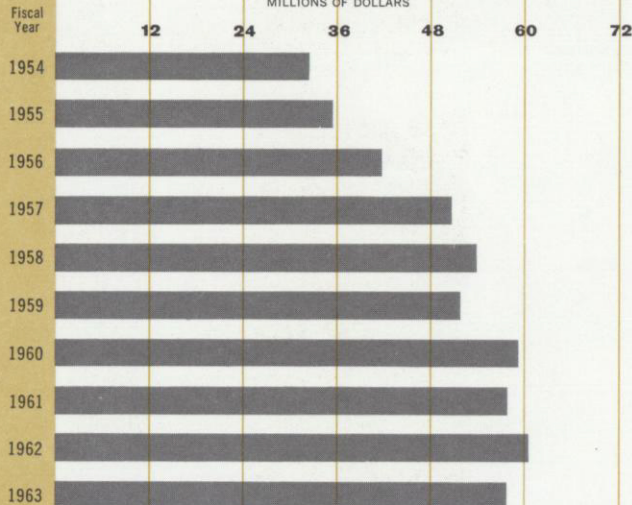
President

May 15, 1964

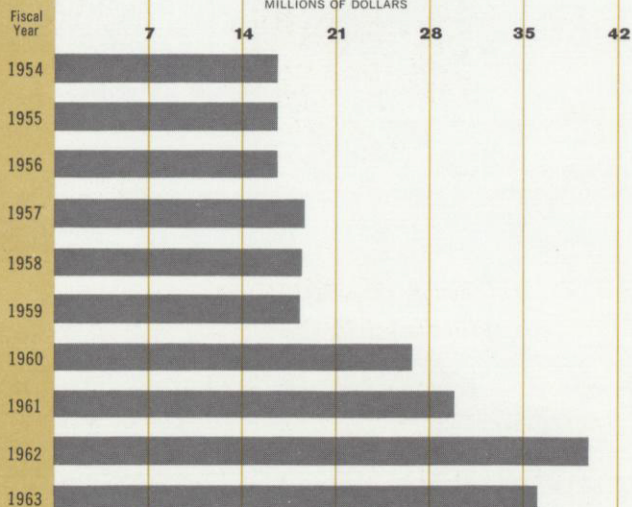
# SALES BILLIONS OF DOLLARS



# NET INCOME MILLIONS OF DOLLARS



# CASH DIVIDENDS MILLIONS OF DOLLARS



1958 and 1963 were 53-week fiscal years.

## PEOPLE... OUR MOST VALUED COMMODITY



EDWARD J. VOGEL  
President  
Middle Western Division



WILLIAM J. KANE  
President  
Eastern Division



LESTER T. DAVIS  
President  
Quaker Maid Division



J. A. ZEIGLER  
President  
National Produce Division



EDWARD A. LE PAGE  
Director of Sales



WILLIAM CORBUS  
Director of Purchases



WILLIAM E. AYRES  
Executive Vice President  
Middle Western Division



J. GORDON CHRISTIAN JR.  
Executive Vice President  
Southern Division

### New Additions to

**Management Team:** Eight of A&P's career employees who were promoted to executive positions during the past year. They are symbolic of the talent available at the middle-management level for elevation to a position of greater responsibility and authority as vacancies occur.

There are many commodities of a material nature that are vital to our very existence, of course. We must have merchandise to sell at a profit and stores from which to sell these wares. We have manufacturing plants and bakeries and coffee roasting plants. We own and operate a fleet of boats for catching the salmon that is processed in our own canneries for distribution through A&P super markets. We have trucks for transportation and warehouses for storage and trans-shipment.

But the most important ingredient in this whole scheme of things is people: people to buy from us, people to service our customers, people to supply our stores and people to furnish the capital necessary to run such a business.

Of all the people who keep the Company functioning in an orderly and progressive manner, however, probably the least publicly recognized are those able and devoted employees in middle management.

While the middle-management executive may not be exposed to the public as much as are the store personnel on the one hand, and the officers and directors on the other, he nevertheless carries a heavy burden of responsibility for the execution of corporate policy. He also is a vital contributor to the fund of ideas from which come many of the suggested innovations that keep A&P modern and aggressive.

Middle-management is the manpower pool from which the Company recruits able younger men for openings at the executive level. A number of such promotions were made during the past year, including those of the eight dedicated career men whose photographs appear on the left.

## BUILDING FOR THE FUTURE

OUR CAPITAL CONSTRUCTION program moved along at a steady pace during the past year — erecting new stores, distribution centers and processing plants.

The Company's largest single project got under way with groundbreaking ceremonies last October on a 104-acre site in Horseheads, N.Y., where the new \$25-million Quaker Maid Division food processing plant is now taking shape. This facility, slated for completion late in 1965, will provide 35 acres of manufacturing area under a single roof — the largest food plant of its kind in the world. In addition to its food processing facilities, it will have complete equipment for the fabrication of cans required for its food packing operations.

During the year we began producing some baked foods in our new \$8.6-million Flushing, Long Island bakery which we expect to have in complete production the latter part of this year. This three-story plant, which will produce a complete line of baked foods under the Company's Jane Parker label, will be one of the largest bread and pastry bakeries in the industry.

In Atlanta, our facilities were enlarged and improved with the opening of a new \$4-million distribution center last December. This facility, which includes meat, grocery, produce and frozen food warehouses, greatly strengthens our competitive position in the areas of Georgia, Tennessee and Alabama served by this plant.

Also in the Southern Division, a new distribution center in Jacksonville, Fla., is nearing completion. It will enable us to serve more efficiently our stores in Florida, south Georgia and South Carolina. This facility is expected to be opened early this summer.

Our need for additional warehousing space in Charlotte, N.C. was met during the year with the construction of a new sub-warehouse in the downtown area to supplement the main distribution center on the outskirts of the community.

In June we will be putting the finishing touches on our Salem, Ohio meat distribution center which will serve A&P Food Stores in western Pennsylvania, Ohio and West Virginia. This new installation will enable us not only to maintain closer control of the quality of meats reaching our customers but will help us to achieve greater efficiency and economy.

But even as these projects begin operations, approximately 20 other major capital building programs are in the active planning stage. Among these is the first Company owned and operated fresh milk plant which will be built in suburban Philadelphia to supply fresh milk and related dairy products to our stores in the eastern Pennsylvania, south Jersey and Delaware areas. Meanwhile, actual construction will begin during the current building season on other projects such as the new \$5.8 million Detroit distribution center. This facility will handle the meat, produce, dairy products and frozen food needs of our stores in that area when completed in mid-1965.

While expanding and improving the manufacturing and distribution facilities that back up our retail operations, we continued to increase the number of our retail outlets during the past year, although at a somewhat slower pace than in 1962. During fiscal 1963 we opened a total of 198 new stores and closed 154 outmoded units. This resulted in a total of 4,519 retail outlets in operation at the year's end, an increase of 44 stores since the start of the period.

We have embarked on a complete modernization program for older stores in profitable locations and it has proved extremely successful as a means of not only holding our old customers and attracting new patrons but of improving our image with the general public. This "face lifting" program enabled us to revitalize 495 stores last year and improve our competitive position locally at considerably less expense than would be entailed in new store construction.



"Miss Quaker Maid", assisted by representatives of A&P and the Chemung County Development Corporation, turns the first spadeful of ground for the new \$25 million Quaker Maid plant at Horseheads, N.Y.

## STATEMENT OF CONSOLIDATED INCOME AND EARNED SURPLUS

FOR THE PERIODS ENDED FEBRUARY 29, 1964 AND FEBRUARY 23, 1963

	53 Weeks to Feb. 29, 1964	52 Weeks to Feb. 23, 1963
Sales . . . . .	\$5,189,188,382	\$5,310,544,361
Cost of merchandise sold . . . . .	<u>4,248,413,043</u>	<u>4,368,260,729</u>
Gross profit . . . . .	940,775,339	942,283,632
Store operating, general and administrative expenses . . . . .	<u>837,280,145</u>	<u>816,794,610</u>
Profit from operations . . . . .	103,495,194	125,489,022
Income credits:		
Adjustment of store property and related reserve for depreciation to conform to Federal income tax basis, less related income tax, \$4,200,000 (See note "Property") . . . . .	3,610,000	
Other — net . . . . .	<u>1,884,188</u>	<u>1,117,408</u>
	108,989,382	126,606,430
United States and Canadian income taxes (including a provision for net deferred investment credit — 1964, \$2,165,000; 1963, \$4,488,000) . . . . .	<u>51,500,000</u>	<u>66,400,000</u>
Net income . . . . .	57,489,382	60,206,430
Earned surplus at beginning of period . . . . .	<u>167,005,373</u>	<u>166,197,259</u>
	224,494,755	226,403,689
Deduct:		
Cash dividends — 1964, \$1.50 a share; 1963, \$1.70 a share . . . . .	35,995,153	39,930,295
Stock dividends — 1964, 1%; 1963, 2%:		
Par value of shares issued . . . . .	240,097	470,015
Excess of market value over par value of shares issued — transfer to capital surplus . . . . .	<u>9,387,793</u>	<u>18,998,006</u>
	45,623,043	59,398,316
Earned surplus at end of period . . . . .	<u>\$ 178,871,712</u>	<u>\$ 167,005,373</u>

See the accompanying Notes to Financial Statements

# CONSOLIDATED BALANCE SHEET

FEBRUARY 29, 1964 AND FEBRUARY 23, 1963

## ASSETS

### CURRENT ASSETS:

	<u>February 29, 1964</u>	<u>February 23, 1963</u>
Cash . . . . .	\$135,941,469	\$154,700,593
Temporary investments in government obligations and short-term paper — at cost . . . . .	24,369,650	1,809,078
Accounts receivable . . . . .	13,212,231	16,655,934
Merchandise and supplies (at the lower of cost or market) . . . . .	<u>331,906,697</u>	<u>327,199,635</u>
Current assets . . . . .	<u>505,430,047</u>	<u>500,365,240</u>

### PROPERTY, EQUIPMENT AND FIXTURES:

Land, at cost . . . . .	3,002,362	2,635,498
Buildings, at cost less accumulated depreciation — 1964, \$6,394,562; 1963, \$6,637,794 . . . . .	8,011,663	4,098,602
Equipment, at cost less accumulated depreciation — 1964, \$132,668,622; 1963, \$116,911,755 . . . . .	175,347,423	178,810,430
Store fixtures, at amortized cost . . . . .	<u>76,344,833</u>	<u>62,702,793</u>
Property, equipment and fixtures — net . . . . .	<u>262,706,281</u>	<u>248,247,323</u>

DEFERRED CHARGES . . . . .	18,392,841	19,361,329
	<u>\$786,529,169</u>	<u>\$767,973,892</u>

See the accompanying Notes

THE GREAT ATLANTIC & PACIFIC TEA COMPANY, INC.  
and Subsidiary Companies

**LIABILITIES**

**CURRENT LIABILITIES:**

	<u>February 29, 1964</u>	<u>February 23, 1963</u>
Accounts payable . . . . .	\$151,672,293	\$153,881,274
Accrued accounts:		
United States and Canadian income taxes . . . . .	26,534,818	30,619,205
Other taxes, salaries, etc. . . . .	<u>38,035,575</u>	<u>37,894,745</u>
Current liabilities . . . . .	<u>216,242,686</u>	<u>222,395,224</u>

**DEFERRED INVESTMENT CREDIT, RESERVES  
FOR SELF-INSURANCE, ETC. . . . .**

<u>11,142,010</u>	<u>9,174,364</u>
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**STOCKHOLDERS' EQUITY:**

Common stock — \$1 par value; authorized 28,000,000 shares; issued 1964, 24,250,901 shares; 1963, 23,971,240 shares . . . . .	24,250,901	23,971,240
Capital surplus . . . . .	356,021,860	345,427,691
Earned surplus . . . . .	<u>178,871,712</u>	<u>167,005,373</u>
Stockholders' equity . . . . .	<u>559,144,473</u>	<u>536,404,304</u>
	<u>\$786,529,169</u>	<u>\$767,973,892</u>

## NOTES TO FINANCIAL STATEMENTS

**PROPERTY:** Store property and the related reserve for depreciation accounts have been adjusted to conform with the revised estimated lives acceptable for Federal income tax purposes (eight instead of five years for store fixtures as from March 2, 1959 and the guideline life of ten years instead of fourteen years for store equipment as from February 26, 1962). The net effect of the foregoing, after providing for income taxes and interest paid as the result of the adjustments, has been shown in the accompanying statement of Consolidated Income and Earned Surplus as an income credit of \$3,610,000. For the year ended in 1964 the use of the revised lives for store property increased net income by approximately \$1,200,000.

The investment credits applicable to property acquired are being amortized over the estimated useful lives of the assets.

Cost and expenses include depreciation and amortization of \$42,706,800 and \$43,734,200 for the periods ended February 29, 1964 and February 23, 1963, respectively.

**STOCK OPTIONS:** The restricted stock option plan approved by the stockholders on June 21, 1960 provided that executives and key employees may be granted options to purchase stock of the Company at the fair market value of the stock on the date of grant.

Proceeds from the 39,564 shares purchased during the year amounted to \$1,245,940, of which \$39,564 was credited to capital stock and \$1,206,376 to capital surplus.

409,638 shares of the Company's unissued stock are reserved for issuance under the plan, of which 134,729 shares are available for immediate purchase, 65,744 shares are available for purchase over succeeding years and 209,165 shares have not been allotted and are available for future grants.

At February 29, 1964, after adjustment for stock dividends and cancellations, the status of the plan was as follows:

	Options Granted	
	Oct. 17, 1960	Jan. 24, 1963
Shares purchased to February 29, 1964 .....	126,962	None
Available for purchase:		
February 29, 1964 .....	125,117	9,612
After February 29, 1964..	51,318	14,426
Shares allotted .....	303,397	24,038
Present purchase price per share .....	\$ 31.18	\$43.32

**RETIREMENT PLAN:** Under the terms of the Employees' Retirement Plans, non-contributory retirement benefits are provided for eligible employees. Contributions by the companies were \$26,419,000 and \$25,188,000 for the periods ended February 29, 1964 and February 23, 1963, respectively. It is estimated by the Company's independent consulting actuary that the total assets of the retirement plans as of December 31, 1963 were sufficient to cover the single sum actuarial liabilities for benefits accrued to that date.

### LONG-TERM LEASES AND OTHER MATTERS:

Most operations of the companies are conducted in leased premises. There were approximately 4,820 leases in force on February 29, 1964 (exclusive of premises where operations had not commenced) that were, in general, for periods not exceeding ten years. The current annual rental of these premises is approximately \$82,500,000.

Since February 29, 1964 the companies' modernization program has involved the customary substantial expenditures, made or to be made, for new store leases, equipment and inventories.

HASKINS & SELLS

CERTIFIED PUBLIC ACCOUNTANTS

NATIONAL NEWARK BUILDING  
NEWARK 07102

ACCOUNTANTS' OPINION

To the Board of Directors and Stockholders of  
The Great Atlantic & Pacific Tea Company, Inc.:

We have examined the consolidated balance sheet of The Great Atlantic & Pacific Tea Company, Inc. and its subsidiary companies as of February 29, 1964, and the related statement of consolidated income and earned surplus for the 53 weeks then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and statement of consolidated income and earned surplus present fairly the financial position of the companies at February 29, 1964 and the results of their operations for the 53 weeks then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding period.

*Haskins & Sells*

May 2, 1964.

